

**Top Secret** 233  
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NATIONAL INTELLIGENCE DAILY CABLE  
Tuesday October 26, 1976 CI NIDC 76-250C

**NATIONAL SECURITY INFORMATION**  
Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

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National Intelligence Daily Cable for Tuesday October 26, 1976.

The NID Cable is for the purpose of informing senior US officials.

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# LEBANON: Situation Report

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[ ] The Christians have laid siege to Mays al Jabal and Bint Jubayl--according to press reports, the only two remaining pockets of Palestinian-leftist control along the border.

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[ ] //Bint Jubayl has been under artillery attack by both Christians and Israelis since last week. The Christians expect to move on the town within the next few days, [ ]

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[ ] the Palestinians are unable to stop the Christian advances.//

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[ ] Israeli Defense Minister Peres denied in a speech on Saturday that Israeli forces have crossed into Lebanon, but he indirectly acknowledged that Israel has been providing support for the Christians' operations. Noting that the "inhabitants of southern Lebanon"--undoubtedly meaning Christian forces--are generally capable of defending themselves, he said that Israel is prepared to help them, without crossing the border, in their efforts to stop Palestinian terrorist operations.

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[ ] Although the Arabs believe that the Christian-Israeli strategy will create a buffer zone along the border before full

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implementation of the Cairo accords, which allow the Palestinians virtually free run of some areas of the border, the Christian advances do not appear to have become a major issue at the Arab summit that opened in Cairo yesterday.

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[ ] The new situation in the south was listed yesterday as an additional agenda item, and the foreign ministers met last night to formulate recommendations to be considered by the Arab leaders when the second session of the summit convenes today.

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[ ] The summit will be dominated by relatively moderate leaders, however, who may not be willing to endanger the Lebanon cease-fire and the harmony achieved at the smaller summit held in Saudi Arabia last week, by encouraging the Palestinians or leftists to counter the Christian advances.

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[ ] Palestine Liberation Organization leader Yasir Arafat will undoubtedly attempt to play up the Israeli involvement in the Christian advances in the hope of embarrassing the Arab leaders into supporting him.

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[ ] the Palestinians are willing to go along for the present with the situation in the south because they view the large Syrian presence in Lebanon as a guarantee against an effective Christian-Israeli alliance over the longer term. The Palestinians expect the current low level of friction between the Christians and the Syrians to increase, and they are presumably banking on Syria's ultimate commitment to the struggle with Israel to prevent Damascus from acquiescing for long in Christian-Israeli hegemony over southern Lebanon.//

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[ ] The Arab summit seems to be handling smoothly the issue of the composition of the expanded Arab League security

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force for Lebanon. Apparently only Iraq has posed serious objections to including the Syrian troops already in Lebanon as part of the 30,000-man peace-keeping force.


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
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#### CHINA: Leadership Situation Report

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 It is now evident that the Chinese leadership will avoid major new decisions--even pressing ones--for some time. The huge rally held in Peking Sunday underlined the dramatic developments of the past two weeks, but signaled no new departure.

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 Wu Te, the Peking party boss and Polithuro member who was the principal speaker at the rally, called it an occasion to "celebrate Hua Kuo-feng's assumption of office" as party chairman and chairman of the party's military affairs commission, as well as to "hail the great victory" represented by the purge of China's four leading leftists.



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25X1 [ ] All this suggests that the leadership considers the current situation to be somewhat fragile and apparently plans to feel its way cautiously. Thus, no one has been named to the Politburo to replace the fallen leftists or members who have died in the past year. Restructuring of the Politburo is legally entrusted to the Central Committee.

25X1 [ ] In addition, the promotion of Li Hsien-nien, currently the first vice premier, to the post of premier--an action that has been rumored since the fall of the leftists and one that could easily be accomplished by the standing committee of the National People's Congress, which is in permanent session in Peking--has not yet taken place. Hua Kuo-feng was identified as premier at Sunday's rally.

25X1 [ ] Remaining members of the Politburo, including those who reside outside the capital, appeared at the rally in the same rank order they held prior to the arrest of the four leftists.

25X1 [ ] //Ni Chih-fu, an alternate member of the Politburo, who was reported in wall posters and diplomatic dispatches to have been given responsibility for "cleaning up" the leftist stronghold of Shanghai, was identified at the rally by his usual title, secretary of the Peking party committee--an indication that no final decision has been taken to fill the leadership vacuum in China's largest city caused by the arrest of the leftists, three of whom are from Shanghai.//

25X1 [ ] Despite these signs of indecision and uncertainty, there is still no indication that Hua and the remaining leaders in Peking are being challenged in any significant fashion. Rallies hailing Hua's elevation and the purge of the leftists have

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been held throughout China, apparently without incident. The fall of the leftist "gang" is an extremely popular development, and a holiday mood has prevailed throughout the country for much of the past two weeks.

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[ ] The new leadership, moreover, has gone out of its way to underline the fact that it has the backing of the bulk of China's military establishment. Uniformed troops were greatly in evidence at Sunday's rally, and Hua himself wore a military uniform.

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[ ] In addition, the new leaders have stressed the point that the decision to elevate Hua to the chairman's post was taken by Mao before his death. Wu Te claimed in his speech on Sunday that Mao had sent a note last spring stating that he could "rest peacefully" with Hua "in charge." An editorial published jointly by China's leading journals yesterday also quotes a series of rebukes Mao issued to the leftist quartet in 1974 and 1975.

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[ ] The new regime is also wrapping itself in the mantle of the late--and still revered--Chou En-lai. The leftist "gang" has been accused of plotting to attack Chou and of attempting to undermine China's economic development plans, which are associated with the late premier. Pictures of Chou were seen at the recent rallies in Peking. [ ]

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#### RHODESIA: Tongogara Joins Geneva ZANU Delegation

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[ ] The influential military leader of Rhodesia's Zimbabwe African National Union, Josiah Tongogara, agreed at a ZANU meeting in Lusaka over the weekend to join ZANU Secretary General Robert Mugabe's delegation to the Geneva conference.

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[ ] The US embassy in Lusaka reports that there was considerable tension at the ZANU meeting until Tongogara, who had just been released from detention by the Zambian government, agreed to throw his support behind Mugabe. //Despite earlier indications that the meeting would consider the leadership conflict between Mugabe and Ndabaningi Sithole, who is also leading a delegation to Geneva, no new leadership has been formally announced.//

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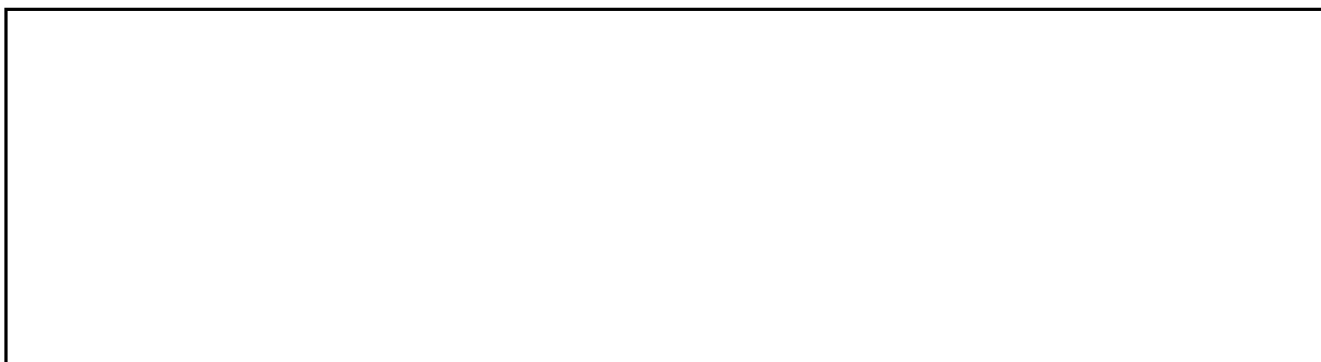


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[ ] Delegations led by the four competing Rhodesian nationalist leaders--Mugabe, Sithole, Joshua Nkomo, and Bishop Muzorewa--are now in Geneva for the conference, which is scheduled to open formally on Thursday. The four nationalists have indicated that they will take a united position at the conference, but rivalry among them remains strong--particularly between Mugabe and Sithole.

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THAILAND: US Aid?

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[ ] //Thailand's new military-dominated government is hoping to get substantially increased military and economic aid from the US. It has concluded, however, that it cannot realistically expect the re-establishment of US military bases or an increase in US military personnel.//

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[ ] Thailand's military leaders have emphasized their desire for improved relations with the US since they assumed power on October 6. The new government has been frustrated with Bangkok's previous movement toward its communist neighbors and away from the US, and wants at least partially to restore the old relationship with Washington.

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[ ] //It is the apparent consensus of the military council--which is being reduced in size but will continue to shape Thai foreign policy from the wings of the new civilian administration--that the US Congress would not approve the re-establishment of US military bases in Thailand. The military leaders nonetheless hope that an anticommunist stand will be well received in Washington, and intend to press hard for increased military assistance. Specifically, they are seeking to obtain the US ammunition stockpile in Thailand.// [ ]

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# SYRIA: War and Economy

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[ ] Syria's involvement in the Lebanese civil war has not caused Damascus the economic problems many observers predicted, despite a severe strain on the Syrian economy. Through a combination of reduced development spending and renewed Arab assistance, the Syrians have managed to weather the worst effects of their adventure in Lebanon.

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[ ] Although the estimated flow of 1 million refugees into Syria has caused shortages of food and housing and fueled the country's inflation rate, the situation apparently is improving. Between 300,000 and 400,000 of the refugees are Syrians formerly residing in Lebanon who have found lodging with their families in Syria; almost all these refugees have been absorbed into the economy. Syria was suffering a labor deficit prior to the fighting in Lebanon.

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[ ] The remaining 600,000 refugees, largely Lebanese, are beginning to trickle back into Syrian-occupied sections of Lebanon. This process should accelerate either if present negotiations lead to greater internal security or if the area of Syrian control continues to expand.

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[ ] Syria was hurt earlier this year by a cutoff of Iraqi oil pipeline transit payments, which had been running at an annual rate of \$150 million. Moreover, Iraq stopped selling light crude to the Syrians at concessionary prices, which entailed a further foreign exchange drain of \$185 million.

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[ ] The Saudis stepped in and are now supplying most of Syria's light crude requirements, ostensibly at world market prices, although we suspect that Saudi aid is being given specifically as a rebate to help defray oil costs.

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[ ] Whatever the outcome of the present efforts to end the Lebanese civil war, Arab aid will remain a vital ingredient in Syria's plans to modernize and expand its economy. Saudi Arabia's efforts to bring Syria, Egypt, and the other contesting powers together may well lead to another round of assistance to Syria.

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UK: Record Sterling Slide

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[ ] //The pound sterling fell \$0.075 to \$1.573 in early London trading yesterday following a report in the *London Sunday Times* that the International Monetary Fund and the US want the pound to be allowed to depreciate to \$1.50 as a condition for the \$3.9-billion IMF credit London has requested. After denials by Treasury Secretary Simon, the IMF, and the British government, the pound recovered somewhat to close at \$1.595 in London--down five cents from last Friday's close.//

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[ ] //Speaking in Parliament yesterday, Chancellor of the Exchequer Healey reflected the Labor government's anger with the *London Sunday Times* when he blasted the newspaper for printing an "irresponsible" report that resulted in the run on the pound. Other furious Laborites blamed "unpatriotic" British speculators for sterling's troubles.//

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25X1 [ ] //Healey gave no indication that major changes in government policy were imminent. In fact, he claimed a number of the UK's foreign friends believed that Labor's economic recovery strategy was basically correct--an apparent reference to recent complimentary remarks by West German officials, including Chancellor Schmidt.//

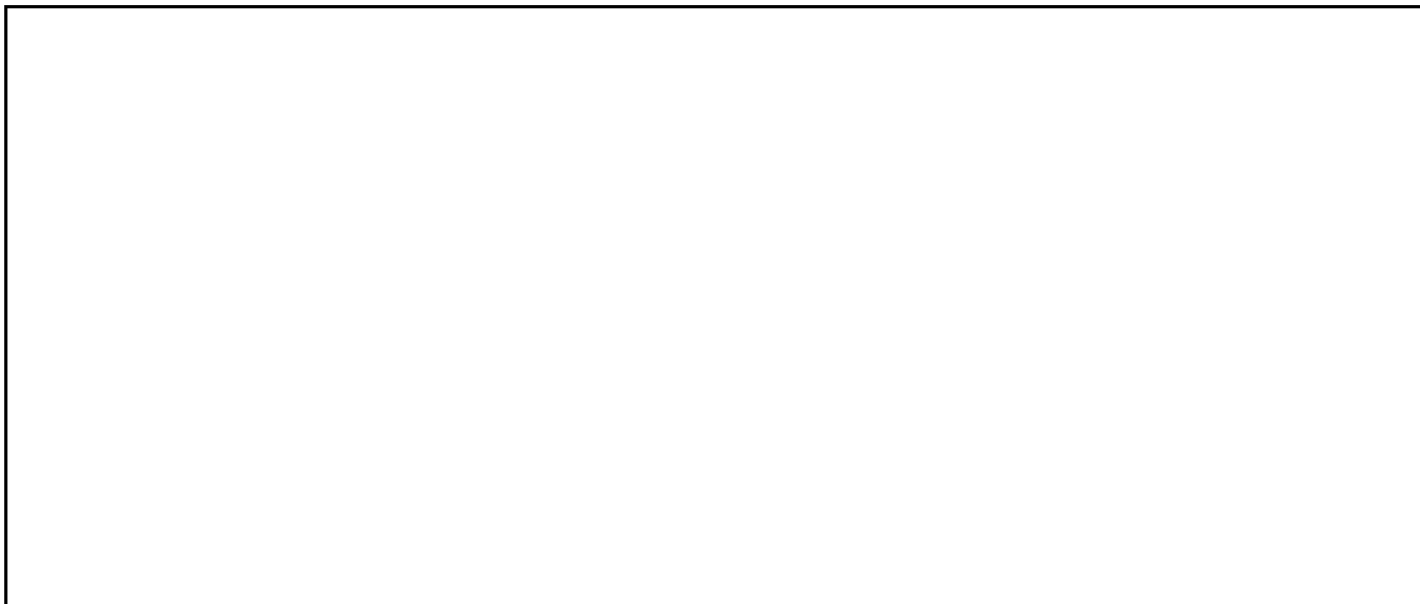
25X1 [ ] //The reaction to the rather implausible newspaper story is indicative of the nervous state of the market. Rumors of sterling sales by multinational companies and oil-producing countries also circulated during the trading session.//

25X1 [ ] //The market's awareness that the Bank of England can ill afford a sustained intervention effort is largely responsible for the susceptibility of the pound to rumor-induced selling.//

25X1 [ ] //According to press reports, the Bank of England made a brief attempt to support the pound at \$1.62 before letting it slide by the record margin. [ ]

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USSR: Brezhnev's Speech

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[ ] Soviet General Secretary Brezhnev delivered a major foreign and domestic policy review at the opening in Moscow yesterday of a plenary meeting of the party Central Committee. The plenum, which will conclude its work today, sets the stage for the scheduled opening tomorrow of the Supreme Soviet. The main task of this short session of the Soviet parliament will be approval of the 1976-80 five-year plan of next year's budget.

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[ ] Moscow's wide airing of Brezhnev's speech breaks the precedent of over a decade of generally unpublicized plenary proceedings. The decision to make the party chief's address public, especially while the Central Committee meeting was still under way, probably reflects the importance the leadership attaches to getting its position on the record, at an authoritative forum, in advance of the US elections. The move may also be designed to emphasize that any personnel changes that may be announced at the close of the plenum will not affect basic policy lines.

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[ ] Brezhnev's review of foreign policy was largely a reiteration of existing Soviet positions. Acknowledging a "slow-down" in US-Soviet relations, he disclaimed Soviet responsibility for this and ascribed it instead to the "complex political

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situation," especially the elections, in the United States. Brezhnev cited the same reason for the fact that the United States "has not yet answered" Soviet strategic arms limitation proposals of last March.

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[ ] Brezhnev went on to emphasize that "on the whole" US-Soviet relations "retain, so far,...positive direction." He seemed to stress continuity, saying that "whoever comes to power in Washington after the elections...one thing must be absolutely clear: our policy of extensively developing relations with the United States, of lessening the danger of a new world war, remains invariable."

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[ ] Brezhnev offered to improve relations with China--the first time he has directly addressed Peking since Mao's death. Reiterating that Moscow is ready to normalize relations in line with the principles of peaceful coexistence, Brezhnev also hinted that the USSR may be ready to restore party-to-party ties. He said that the development of relations now depends on "what stand will be taken by the other side."

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[ ] Brezhnev's remarks on the Middle East reiterated Soviet expressions of hope for peaceful solutions, but reflected little expectation that Moscow would play a more active role. Brezhnev called for a reconciliation of Lebanese leftist, Palestinian, and Syrian forces, even while expressing regret over Damascus' military involvement. He again called for a reconvening of the Geneva conference, without conveying a real sense of urgency.

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[ ] On Africa, Brezhnev seemed relatively guarded. Hailing the development of Soviet relations with Angola, Mozambique and "other fighters for freedom" in Africa, Brezhnev condemned Rhodesia and South Africa as "imperialist stooges" and "bastions of racism." He did not mention either Western diplomatic initiatives in the area or Moscow's support for forces of "national liberation."

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[ ] In dealing with the domestic front, Brezhnev's broad and detailed economic report set the stage for the Supreme Soviet session by reviewing the major goals of the five-year plan and its priorities. In a first public estimate of Soviet agricultural yields by a Soviet leader, Brezhnev said the harvest thus far has amounted to 216 million tons, but that not all of it was in yet. [ ]

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